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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

26A

COMMISSIONERS

MARC SPITZER - Chairman

WILLIAM A. MUNDELL

JEFF HATCH-MILLER

MIKE GLEASON

KRISTIN K. MAYES

DOCKETED**MAY 11 2004**

DOCKETED BY

nr

STAFF of the Utilities Division,

Complainant,

v.

SOUTHWEST GAS CORPORATION

Respondent,

DOCKET NO. G-01551A-04-0230

DECISION NO. **66966****CONSENT ORDER**

Respondent Southwest Gas Corporation ("Southwest") has entered into a Consent Agreement ("Agreement") with Staff of the Utilities Division ("Staff"), elected to waive its right to a hearing and appeal pursuant to A.R.S. §§ 40-253, 40-254 and concurs with the Findings of Fact and Conclusions of Law contained in this Order; and consents to the entry of this Order by the Arizona Corporation Commission ("Commission").

FINDINGS OF FACT

1. On January 15, 2004, at 4:41 p.m. Arizona Standard Time, Southwest received an odor complaint at 22895 South 210th Street in Queen Creek, in the State of Arizona. At 5:11 p.m. on January 15, 2004, the Southwest Service Technician indicated that there was a possible Grade 1 leak at the above location. A Grade 1 Leak is a natural gas leak that poses an imminent threat to life and property. The leak originated from a service line installed on December 2, 2002. The most probable cause of the leak was due to the improperly installed fitting connecting the service line to the main line. A supplemental report by Southwest on this incident states "the service line running to 22895 South 210th Street had pulled away from the service to main connection and . . . the nut that tightens up service at connection was unscrewed approximately halfway." Southwest has explained the cause of the leak to be a loose fitting which had leaked over time. The fitting was repaired by Southwest on January 15, 2004.

1 2. Because of the large accumulation of natural gas present in the ground, Southwest
2 evacuated the inhabitants of seven residences. These evacuations included residences located at
3 22895 South 210th Street, 22883 South 210th Street, 22871 South 210th Street, 20978 East Via Del
4 Oro, 20971 East Via Del Rancho, 22859 South 210th Street, and 21002 East Via Del Rancho.
5 Southwest began to use aerators in an effort to pull all of the natural gas out of the ground. The
6 inhabitants of the evacuated residences were eventually allowed back into their homes over the next
7 two days. The last of the residents were let back into their homes by January 17, 2004. Rural Metro
8 Fire Department ("RMFD") had responded to the scene on January 15, 2004.

9 3. During the period between January 17, and February 2, 2004, Southwest continued to
10 utilize aerators at the affected location. These aerators operated continuously between January 15 and
11 February 2, 2004. Leak surveys were also conducted on several occasions, between the above-
12 mentioned dates, at 22883 South 210th Street, 22895 North 210th Street, 22871 South 210th Street,
13 20971 East Via Del Rancho and 20978 East Via Del Oro. Bar hole records indicate that natural gas
14 remained present outside of these residences between January 17, 2004, and February 2, 2004. No
15 evacuations in this area occurred between January 17, and February 2, 2004.

16 4. On February 2, 2004, sometime between 3:00 and 3:30 p.m., an explosion occurred at
17 22883 South 210th Street. The explosion was reported to Southwest at 4:24 p.m. No one was injured
18 by the explosion. However, extensive damage did occur to the inside of the residence at 22883 South
19 210th Street.

20 5. Staff was notified of the explosion on February 3, 2004, at 11:45 a.m. Southwest has
21 since met with Staff on several occasions to discuss the incident. Southwest has also held public
22 meetings with affected and concerned residents in Queen Creek, Arizona.

23 6. The contractor who installed the failed fitting at 22895 South 210th Street installed
24 twenty-six other fittings around December of 2002. These other fittings were checked by Southwest
25 between January 21, and February 12, 2004. All of the fittings were still intact and no other leaks
26 were discovered. Leak surveys have been conducted in other areas of the subdivision affected by the
27 leak and explosion. One other leak was discovered and was repaired by Southwest. Southwest also
28

1 stated that accelerated leak surveys would be conducted in the subdivision where the explosion
2 occurred.

3 7. Southwest indicated in its Incident Critique report that it had conducted leak surveys
4 inside the homes affected by this incident and that it had found zero reads inside the houses prior to
5 returning residents to their homes on January 17, 2004. Furthermore, Southwest's Incident Critique
6 confirmed that OPS was not notified of the explosion until February 3, 2004, at 11:45 a.m., more than
7 nineteen hours after Southwest had first learned of the explosion.

8 8. Staff filed a Complaint and Order to Show Cause ("OSC") on March 26, 2004. Staff
9 alleged three violations of State and Federal regulations in its Complaint and OSC. Staff alleged a
10 violation of A.A.C. R14-5-203(B)(1) requiring that incident reports by telephone be made by an
11 operator of an intrastate natural gas pipeline whenever an explosion occurs that is not intentionally set
12 by the operator. Staff also alleged a violation of 49 CFR Part 192.13(c) for failing to properly install
13 the fitting to the service line at 22895 South 210th Street and a violation of 49 CFR Part 192.615(a)
14 (5) for letting the residents of 22883 South 210th Street back into their home despite a 9% natural gas
15 to air reading found directly outside their residence.

16 9. On April 28, 2004, Staff and Southwest filed the Agreement that resolves the issues
17 presented in the Complaint and OSC. The Agreement stipulates that Southwest will pay a civil
18 penalty of one hundred thousand dollars (\$100,000). In addition, Staff and Southwest agree to abide
19 by the terms and conditions in the agreement approved by the Commission in Decision No. 66166.
20 Also, Southwest is to notify Staff within two hours of evacuating any persons from any residence,
21 commercial or industrial establishment. Southwest shall complete refresher training session for all of
22 its duty management personnel in accordance with the terms and conditions of the Agreement. And
23 finally, any modifications/clarifications to Southwest's current operating procedures shall be done in
24 accordance with the terms and conditions of the Agreement for the following: Emergency Plan
25 Manual, Section 14, Notification of Regulatory Agencies and Operations Manual; Leakage
26 Procedure, Section 3.7, Eliminating Residual Gas.

27 10. Staff and Southwest concur that resolving the issues in this docket via the Agreement
28 is consistent with the best interests of administrative economy and the public. We agree that the

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1 Agreement does benefit the public interest and the terms and conditions of the Agreement, including
2 the civil penalty, sends the message that public safety shall be a matter of the highest priority and that
3 effective and timely communications with Staff by Southwest best ensures that a repeat of the Queen
4 Creek communication breakdown does not occur.

5 CONCLUSIONS OF LAW

6 1. Southwest is a public service corporation within the meaning of Article XV of the
7 Arizona Constitution and A.R.S. §§ 40-202, 40-203, 40-204 and 40-246.

8 2. The Commission has jurisdiction over Southwest and over the subject matter of this
9 Consent Order.

10 3. Notice of the Consent Order was given in accordance with the law.

11 4. The Consent Agreement, attached as Exhibit A, is a reasonable resolution of the issues
12 in the Complaint and Order to Show Cause filed by Staff on March 26, 2004.

13 ORDER

14 THEREFORE, IT IS ORDERED that the Consent Agreement between Staff of the Utilities
15 Division and Southwest Gas Corporation is approved, subject to the terms and conditions set forth
16 herein.

17 IT IS FURTHER ORDERED that Southwest Gas Corporation shall notify Staff of the
18 Utilities Division within two hours of evacuating any persons from any residence, commercial or
19 industrial establishment.

20 IT IS FURTHER ORDERED that Southwest Gas Corporation and Staff of the Utilities
21 Division shall continue to abide by the terms and conditions of the agreement approved by the
22 Commission in Decision No. 66166.

23 IT IS FURTHER ORDERED that no later than ten days following Commission approval of
24 the Consent Agreement, Southwest Gas Corporation shall complete refresher training sessions for all
25 of its duty management personnel in accordance with the terms and conditions of the Consent
26 Agreement.

27 IT IS FURTHER ORDERED that modifications/clarifications to Southwest Gas
28 Corporation's current operating procedures shall be done in accordance with the terms and conditions
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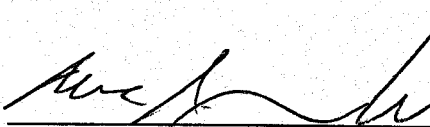
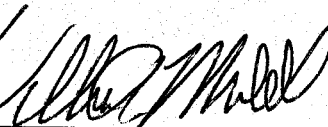
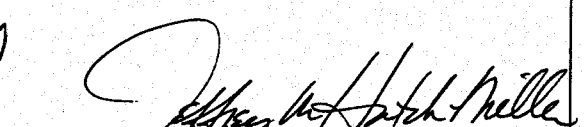
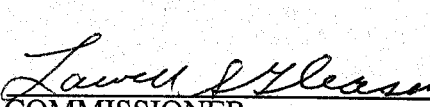
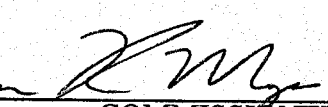
1 of the Consent Agreement for the following: Emergency Plan Manual, Section 14, Notification of
 2 Regulatory Agencies and Operations Manual, Leakage Procedure, Section 3.7, Eliminating Residual
 3 Gas.

4 IT IS FURTHER ORDERED that Southwest Gas Corporation shall pay a monetary civil
 5 penalty of one hundred thousand dollars (\$100,000) into the Pipeline Safety Revolving Fund within
 6 thirty (30) days of the effective date of this Order.

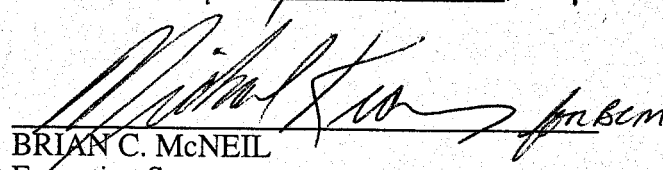
7 IT IS FURTHER ORDERED that Southwest Gas Corporation shall not be permitted to
 8 recover from its customers any of the cost(s) related to the implementation of any of the provisions of
 9 the Consent Agreement, including payment of the civil penalty.

10 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

11 **BY ORDER OF THE ARIZONA CORPORATION COMMISSION.**

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 15 COMMISSIONER-CHAIRMAN COMMISSIONER COMMISSIONER
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 17 COMMISSIONER COMMISSIONER

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 20 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
 21 Secretary of the Arizona Corporation Commission, have
 22 hereunto, set my hand and caused the official seal of the
 23 Commission to be affixed at the Capitol, in the City of Phoenix,
 24 this 16th day of MAY, 2004.

25 
 26 BRIAN C. McNEIL
 27 Executive Secretary

28 DISSENT: _____
 JDG:daa

1 SERVICE LIST FOR: SOUTHWEST GAS

2 DOCKET NO.G-01551A-04-0230

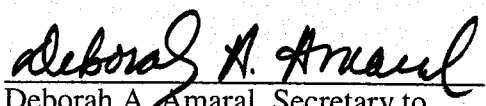
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20 
21 Deborah A. Amaral, Secretary to
22 Jason D. Gellman
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PROPOSED CONSENT AGREEMENT
Docket No. G-01551A-04-0230

The Arizona Corporation Commission (Commission) Utilities Division Staff (Staff) and Southwest Gas Corporation (Southwest), collectively referred to in this proposed Consent Agreement (Agreement) as the Parties, hereby submit the Agreement for Commission approval. The Parties consider that resolving the issues in the above-referenced Docket through the Agreement is consistent with the best interests of administrative economy and the public; however, the Parties are mindful that the Agreement is subject to the approval of, and/or any conditions imposed by, the Commission.

ARTICLE I
RECITALS

Purpose of Agreement: Notice of Intentions and Admissions. The purpose of the Agreement is to resolve issues in Docket No. G-01551A-04-0230 in a manner consistent with the best interests of the public. The Parties recognize that (1) the Agreement functions as a procedural device to propose its terms to the Commission and (2) the Agreement has no binding force or effect unless and until finally approved in an order of the Commission. Nothing included in the Agreement is intended to constitute an admission by either party that any of the positions asserted, or that might be asserted in the above-referenced Docket, is unreasonable or unlawful. Additionally, execution of the Agreement by the Parties is without prejudice to any position asserted by either party in the above-referenced Docket.

A. Staff Authority. The Parties recognize that (1) Staff does not have the power to bind the Commission and (2) for purposes of proposing a consent agreement, Staff acts in the same manner as a party to proceedings before the Commission.

B. Purpose of Agreement. The Parties further recognize that (1) the Agreement functions as a procedural device to propose its terms to the Commission and (2) the Agreement has no binding force or effect unless and until finally approved in an order of the Commission.

C. Commission Authority to Modify. The Parties further recognize that the Commission will evaluate the terms of the Agreement and that, after such evaluation, the Commission may require modifications to the terms of the Agreement as a condition of Commission approval.

D. Commission Approval. In the event the Commission adopts an order approving substantially all of the terms of the Agreement, such action by the Commission constitutes approval of the Agreement and, thereafter, the Parties shall abide by the terms approved by the Commission.

E. Effect of Modification by the Commission. In the event either party objects to any Commission modification(s) approving substantially all of the terms of the Agreement, such party shall timely file an application for rehearing pursuant to A.R.S. § 40-253. In the event neither party files such an application, the Parties shall be deemed (1) to have accepted any Commission modification(s) and (2) to have conclusively and irrefutably acknowledged that any Commission modification(s) are not substantial and that, therefore, the Commission order has adopted substantially all of the terms of the Agreement.

F. Application for Rehearing. In the event either party files an application for rehearing and alleges that the Commission has not adopted substantially all of the terms of the Agreement, such application shall be deemed a withdrawal of the party's execution of the Agreement and the Parties shall request a procedural order scheduling a hearing on the merits.

The hearing shall be conducted without any prejudice to any of the positions asserted by the Parties, and the Agreement and any supporting documents related to the Agreement shall not be admitted into evidence for any purpose nor considered by the Commission in its deliberations.

G. Appeal of Commission Decision. In the event a party's application for rehearing does not affirmatively and specifically allege that the Commission failed to adopt substantially all of the terms of the Agreement and if such application is denied, either by Commission order or by operation of law, and the party continues to object to any Commission modification(s), the party shall timely appeal the Commission's order pursuant to A.R.S. § 40-254 and/or § 40-254.01, as appropriate. In the event the party does not file such an appeal, the party shall be deemed (1) to have accepted any Commission modification(s) and (2) to have conclusively and irrefutably acknowledged that any Commission modification(s) are not substantial and that, therefore, the Commission's order has adopted substantially all of the terms of the Agreement.

H. Definitive Text. The Definitive Text of the Agreement shall be the text adopted by the Commission in an order approving substantially all of the terms of the Agreement, including any Commission modification(s).

I. Severability. Each of the terms of the Definitive Text of the Agreement is in consideration and support of all other terms. Accordingly, the terms are not severable.

J. Support and Defend. The Parties pledge to support and defend the Agreement before the Commission.

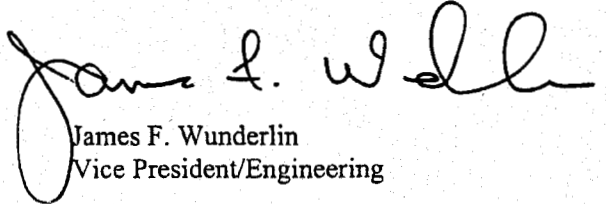
ARTICLE II **TERMS AND CONDITIONS**

The Attachment to the Agreement sets forth the terms and conditions of the proposed consent agreement. There is no other agreement between the Parties regarding the issues to be

resolved in the above-referenced Docket. Upon Commission approval of the Agreement, the Parties shall treat Docket No. G-01551A-04-0230 as closed.

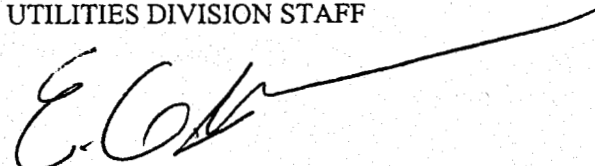
Executed by the Parties this 28th day of April, 2004.

SOUTHWEST GAS CORPORATION



James F. Wunderlin
Vice President/Engineering

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION STAFF



Ernest G. Johnson
Director of Utilities Division

Attachment

Southwest Gas Corporation (Southwest) and the Arizona Corporation Commission (Commission) Utilities Division Staff (Staff) propose the following as a reasonable resolution of the issues in Docket No. G-01551A-04-0230:

I. FACTUAL BACKGROUND

Southwest and Staff both agree that the factual history of this incident is as follows:

1. On January 15, 2004, at 4:41 p.m. Arizona Standard Time, Southwest received an odor complaint at 22895 South 210th Street in Queen Creek, in the State of Arizona. At 5:11 p.m. on January 15, 2004, the Southwest Service Technician indicated that there was a possible Grade 1 leak at the above location. The leak originated from a service line installed on December 2, 2002. The most probable cause of the leak was due to the improperly installed fitting connecting the service line to the main line. A supplemental report by Southwest on this incident states "the service line running to 22895 South 210th Street had pulled away from the service to main connection and . . . the nut that tightens up service at connection was unscrewed approximately halfway." Southwest has explained the cause of the leak to be a loose fitting which had leaked over time. The fitting was repaired by Southwest on January 15, 2004.

2. Because of the large accumulation of natural gas present in the ground, Southwest evacuated the inhabitants of seven residences. These evacuations included residences located at 22895 South 210th Street, 22883 South 210th Street, 22871 South 210th Street, 20978 East Via Del Oro, 20971 East Via Del Rancho, 22859 South 210th Street, and 21002 East Via Del Rancho. Southwest began to use aerators in an effort to pull all of the natural gas out of the ground. The inhabitants of the evacuated residences were eventually allowed back into their homes over the

next two days. The last of the residents were let back into their homes by January 17, 2004. Rural Metro Fire Department ("RMFD") had responded to the scene on January 15, 2004.

3. During the period between January 17, and February 2, 2004, Southwest continued to utilize aerators at the affected location. These aerators operated continuously between January 15 and February 2, 2004. Leak surveys were also conducted on several occasions, between the above-mentioned dates, at 22883 South 210th Street, 22895 North 210th Street, 22871 South 210th Street, 20971 East Via Del Rancho and 20978 East Via Del Oro. Bar hole records indicate that natural gas remained present outside of these residences between January 17, 2004, and February 2, 2004. No evacuations in this area occurred between January 17, and February 2, 2004.

4. On February 2, 2004, sometime between 3:00 and 3:30 p.m., an explosion occurred at 22883 South 210th Street. The explosion was reported to Southwest at 4:24 p.m. No one was injured by the explosion. However, extensive damage did occur to the inside of the residence at 22883 South 210th Street.

5. Staff was notified of the explosion on February 3, 2004, at 11:45 a.m. Southwest has since met with Staff on several occasions to discuss the incident. Southwest has also held public meetings with affected and concerned residents in Queen Creek, Arizona.

6. The contractor who installed the failed fitting at 22895 South 210th Street installed twenty-six other fittings around December of 2002. The fittings were checked by Southwest between January 21, and February 12, 2004. All of the fittings were still intact and no other leaks were discovered. Leak surveys have been conducted in other areas of the subdivision affected by the leak and explosion. One other leak was discovered and was repaired by

Southwest. Southwest also stated that accelerated leak surveys would be conducted in the subdivision where the explosion occurred.

7. Southwest indicated in its Incident Critique report that it had conducted leak surveys inside the homes affected by this incident and that it had found zero reads inside the houses prior to returning residents to their homes on January 17, 2004. Furthermore, Southwest's Incident Critique confirmed that OPS was not notified of the explosion until February 3, 2004, at 11:45 a.m., more than nineteen hours after Southwest had first learned of the explosion.

II. STAFF NOTIFICATION

Southwest shall notify Staff within two hours of evacuating any persons from any residence, commercial or industrial establishment.

III. CONTINUED COMPLIANCE WITH COMMISSION DECISION NO. 66166

Southwest and Staff acknowledge their obligations, and hereby renew their commitment, to continue to abide by the terms and conditions of the agreement approved by the Commission in Decision No. 66166.

IV. REFRESHER TRAINING

No later than ten (10) days following Commission approval of the Agreement, Southwest shall complete refresher training sessions for all Southwest duty management personnel in Arizona with responsibilities associated with Staff and Commission notifications, and Staff shall be invited to attend each session in an effort to ensure Staff that the refresher training is conducted in an effective and meaningful manner. The refresher training shall concentrate, among other areas, on the need to communicate effectively and on a timely basis with Staff.

V. OPERATIONAL MODIFICATIONS/CLARIFICATIONS

Modifications/clarifications to Southwest's current operating procedures in the following areas shall be incorporated into Southwest's Emergency Plan/Operations Manuals no later than June 30, 2004 and the modifications/clarifications shall be submitted to Staff for review and approval within ten (10) days of thereafter. Staff shall have twenty (20) days, from the date the modifications/clarifications are submitted by Southwest, to review the modifications/clarifications:

- A. Emergency Plan Manual, Section 14, Notification of Regulatory Agencies
- B. Operations Manual, Leakage Procedure, Section 3.7, Eliminating Residual Gas

VI. VOLUNTARY PAYMENT OF CIVIL PENALTY

Southwest voluntarily submits to the imposition of a monetary civil penalty in the amount of \$100,000. In submitting to the penalty, Southwest emphasizes its commitment to public health and safety. In addition, in submitting to the penalty, Southwest emphasizes its commitment to ensure that effective and timely communications with Staff shall be a matter of the highest priority to Southwest management and that all available measures will be instituted to best ensure there is not a repeat of the Queen Creek communication breakdown.

VII. NO RECOVERY IN RATES

Southwest shall not be permitted to recover from its customers any of the cost(s) related to the implementation of any of the provisions of the Agreement, including the payment of a civil penalty.